

Message Text

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E.O. 11652: N/A

TAGS: EGEN, IN

SUBJECT: PROPOSED AID CONTRACT STUDY: REGIONAL DEVELOP-
MENT IMPACTS OF AGRICULTURAL CHANGE

1. AID PROPOSES FUNDING SUBJECT STUDY BY ECONOMIC GROWTH CENTER, YALE UNIVERSITY, TO CONSTRUCT AND ESTIMATE A DISTRIBUTIONAL ANALYSIS MODEL FOR RURAL INCOMES IN INDIA. STUDY WILL INTEGRATE FARM LEVEL ECONOMIC BEHAVIOR WITH ECONOMY-WIDE MARKET FORCES.
 2. THE DISTRIBUTIONAL MODEL PROPOSED IS DESIGNED TO SIMULATE THE MARKET OUTCOMES WHICH RESULT FROM CHANGES IN A NUMBER OF REGIONAL AND NATIONAL POLICY INSTRUMENTS AND RELATED EXOGENOUS FORCES. THE MARKET OUTCOMES WILL BE EXPRESSED IN TERMS OF QUANTITIES AND PRICES OF PRODUCTS PRODUCED AND IN TERMS OF QUANTITIES OF INPUTS EMPLOYED AND PRICES OF INPUTS. BECAUSE THESE MARKET OUTCOMES CAN BE
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TRANSLATED INTO INCOMES OF RURAL HOUSEHOLDS GIVEN INFORMATION ON THE OWNERSHIP OF AGRICULTURAL INPUTS, (CHIEFLY LABOR, LAND AND POWER) IT WILL ALSO BE POSSIBLE TO SIMULATE INCOME DISTRIBUTIONAL OUTCOMES IN THE MODEL. THE OUTCOMES FOR LANDLESS LABORERS AND SMALL FARMERS DEPENDENT ON LABOR INCOME WILL BE GIVEN PARTICULAR ATTENTION.

3. THE POLICY INSTRUMENTS AND EXOGENOUS FORCES TO BE CONSIDERED IN THE ANALYSIS INCLUDE POPULATION AND LABOR FORCE GROWTH, INTERSECTORAL AND INTERREGIONAL LABOR FORCE MIGRATION, TECHNICAL CHANGE, EMPLOYMENT SCHEMES AND INPUT SUBSIDIES ON POWER, FERTILIZERS AND CREDIT. THE DISTRIBUTIONAL OUTCOMES FOR ALL OF INDIA AND ITS MAIN REGIONS OF A NUMBER OF POLICY MIXES WILL BE ANALYZED.

4. THIS PROJECT IS DESIGNED PRIMARILY TO COMPLEMENT THE EXISTING BODY OF MICRO FARM LEVEL STUDIES BY PROVIDING A BROADER ECONOMIC FRAMEWORK IN WHICH TO INTERPRET THEIR RESULTS.

5. THE TWO RESEARCHERS FOR PROJECT, ROBERT E. EVENSON, PROF. OF ECONOMICS, YALE UNIVERSITY, AND HANS P. BINSWANGER, ASSOCIATE, AGRICULTURAL DEVELOPMENT COUNCIL, WILL EACH TRAVEL TO INDIA FOR A STAY OF UP TO TWO MONTHS DURING THE TWO YEAR PERIOD OF THE CONTRACT, AND FOREIGN CONSULTANTS WILL BE BROUGHT TO THE UNITED STATES FOR PERIODS OF ONE TO TWO MONTHS. A CONFERENCE IN INDIA FOR INDIAN RESEARCHERS WILL BE HELD TO SHARE THE RESULTS OF THE WORK.

6. EMBASSY IS REQUESTED TO COMMENT ASAP BY CABLE WHETHER OR NOT PROPOSED PROJECT WOULD ADVERSELY AFFECT U.S. FOREIGN RELATIONS, AND WHAT MODIFICATIONS OR PRECAUTIONS, UNCLASSIFIED

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IF ANY, WOULD BE NECESSARY TO PRECLUDE SUCH ADVERSE AFFECTS. VANCE

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